MARKETING, EXISTENTIAL MALPRACTICE AND AN ETHERISED DISCIPLINE; A SOTERIOLOGICAL COMMENT
by Professor Malcolm McDonald

There are certain eschatological academics who smash up marketing and its people and then retreat into their protected power bases, taking with them their vast carelessness, leaving others to clear up the mess they have made.

Nonetheless, whilst not pretending to understand what these worthies stand for (as opposed to what they are against), the author has some sympathy with the eschatological theme when applied to marketing. As T.S. Eliot (1934) said:

“Where is the wisdom we have lost in knowledge?
Where is the knowledge we have lost in information?”

He may not have been referring to the kind of periphrastic papers that emanate from business schools around the world and which are largely irrelevant to and ignored by practising managers, but he makes a valid point which all of us need to take on board if we’re not to see marketing as a discipline entirely sidelined in the real world of commerce. (Davis and Brady, 1993 and all that followed).

The purpose of this paper is to provide a brief review of the state of the marketing domain and to set out an alternative model designed to put marketing back at the heart of organisational strategy-making.

It is deliberately written in a ‘non double-blind-referred journal’ style in the hope that these views will reach a wider audience. It is fully accepted that the art versus science, phenomenology versus positivism debate will continue, quite rightly, but this paper is not about such grave matters. It is intended merely to note some reflections after sixteen years as a marketing practitioner and twenty six years as an academic on why, following the white heat of excitement about the orgastic future of marketing in the Wills days of the 1960s, (Wills, G., 1976) it has today lost its influence in the corporate world, in spite of all our best efforts.

So, what has gone wrong and what can be done to bring about a recovery?

A Brief Review of the State of Marketing

“Now it is a strange thing, but things that are good to have and days that are good to spend are soon told about and not much to listen to; while things that are uncomfortable, palpitating and even gruesome, may make a good tale and take a deal of telling anyway”


Perhaps there is some point to all this recent intellectual whingeing about the state of marketing. So, before suggesting a way forward, let us make a very brief review of what
we have achieved after over fifty years of marketing. Let us look at the three main constituent parts: practitioners; consultants; and academics.

**Practitioners**

As for practitioners, what better place to start than with the famous Tom Peters’ ‘In Search of Excellence’, (1982). According to Richard Pascale (1990), of Peters’ original forty three excellent companies, only six were still excellent only eight years later.

Table 1 shows clearly that many of Britain’s best performing companies during the decade up to 1990 subsequently collapsed.

<table>
<thead>
<tr>
<th>Year</th>
<th>Company ¹</th>
<th>Market Value (£m)</th>
<th>ROI²</th>
<th>Subsequent performance³</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>MFI</td>
<td>57</td>
<td>50</td>
<td>Collapsed</td>
</tr>
<tr>
<td>1980</td>
<td>Lasmo</td>
<td>134</td>
<td>97</td>
<td>Still profitable</td>
</tr>
<tr>
<td>1981</td>
<td>Bejam</td>
<td>79</td>
<td>34</td>
<td>Acquired</td>
</tr>
<tr>
<td>1982</td>
<td>Racal</td>
<td>940</td>
<td>36</td>
<td>Still profitable</td>
</tr>
<tr>
<td>1983</td>
<td>Polly Peck</td>
<td>128</td>
<td>79</td>
<td>Collapsed</td>
</tr>
<tr>
<td>1984</td>
<td>Atlantic Computers</td>
<td>151</td>
<td>36</td>
<td>Collapsed</td>
</tr>
<tr>
<td>1985</td>
<td>BSR</td>
<td>197</td>
<td>32</td>
<td>Still profitable</td>
</tr>
<tr>
<td>1986</td>
<td>Jaguar</td>
<td>819</td>
<td>60</td>
<td>Acquired</td>
</tr>
<tr>
<td>1987</td>
<td>Amstrad</td>
<td>987</td>
<td>89</td>
<td>Still profitable</td>
</tr>
<tr>
<td>1988</td>
<td>Body Shop</td>
<td>225</td>
<td>89</td>
<td>Still profitable</td>
</tr>
<tr>
<td>1989</td>
<td>Blue Arrow</td>
<td>653</td>
<td>135</td>
<td>Collapsed</td>
</tr>
</tbody>
</table>

¹ Where a company has been top for more than 1 year, the next best company has been chosen in the subsequent year e.g., Poly Peck was related top 1983, '84 and '85
² Pre-tax profit as a percent of investment capital
³ From Professor Peter Doyle, Warwick University

**Table 1 Britain’s top Companies (Management Today)**

Table 2 shows a real company, (disguised here) which apparently has performed extremely well over a five year period. Table 3, however, shows clearly that its performance is extremely poor when set in context.
<table>
<thead>
<tr>
<th>Performance (£million)</th>
<th>Base Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td>£254</td>
<td>£293</td>
<td>£318</td>
<td>£387</td>
<td>£431</td>
<td>£454</td>
</tr>
<tr>
<td>- Cost of goods sold</td>
<td>135</td>
<td>152</td>
<td>167</td>
<td>201</td>
<td>224</td>
<td>236</td>
</tr>
<tr>
<td>Gross Contribution</td>
<td>£119</td>
<td>£141</td>
<td>£151</td>
<td>£186</td>
<td>£207</td>
<td>£218</td>
</tr>
<tr>
<td>- Manufacturing overhead</td>
<td>48</td>
<td>58</td>
<td>63</td>
<td>82</td>
<td>90</td>
<td>95</td>
</tr>
<tr>
<td>- Marketing &amp; Sales</td>
<td>18</td>
<td>23</td>
<td>24</td>
<td>26</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td>- Research &amp; Development</td>
<td>22</td>
<td>23</td>
<td>23</td>
<td>25</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Net Profit</td>
<td>£16</td>
<td>£22</td>
<td>£26</td>
<td>£37</td>
<td>£50</td>
<td>£55</td>
</tr>
<tr>
<td>Return on Sales (%)</td>
<td>6.3%</td>
<td>7.5%</td>
<td>8.2%</td>
<td>9.6%</td>
<td>11.6%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Assets</td>
<td>£141</td>
<td>£162</td>
<td>£167</td>
<td>£194</td>
<td>£205</td>
<td>£206</td>
</tr>
<tr>
<td>Assets (% of sales)</td>
<td>56%</td>
<td>55%</td>
<td>53%</td>
<td>50%</td>
<td>48%</td>
<td>45%</td>
</tr>
<tr>
<td>Return on Assets (%)</td>
<td>11.3%</td>
<td>13.5%</td>
<td>15.6%</td>
<td>19.1%</td>
<td>24.4%</td>
<td>26.7%</td>
</tr>
</tbody>
</table>

© Professor Malcolm McDonald, Cranfield School of Management

**Table 2** Inter Tech’s Five Year Performance

**InterTech’s 5 Year Market-Based Performance**

<table>
<thead>
<tr>
<th>Performance (£million)</th>
<th>Base Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Growth</td>
<td>18.3%</td>
<td>23.4%</td>
<td>17.6%</td>
<td>34.4%</td>
<td>24.0%</td>
<td>17.9%</td>
</tr>
<tr>
<td>InterTech Sales Growth (%)</td>
<td>12.8%</td>
<td>17.4%</td>
<td>11.2%</td>
<td>27.1%</td>
<td>16.5%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Market Share (%)</td>
<td>20.3%</td>
<td>19.1%</td>
<td>18.4%</td>
<td>17.1%</td>
<td>16.3%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Customer Retention (%)</td>
<td>88.2%</td>
<td>87.1%</td>
<td>85.0%</td>
<td>82.2%</td>
<td>80.9%</td>
<td>80.0%</td>
</tr>
<tr>
<td>New Customers (%)</td>
<td>11.7%</td>
<td>12.9%</td>
<td>14.9%</td>
<td>24.1%</td>
<td>22.5%</td>
<td>29.2%</td>
</tr>
<tr>
<td>% Dissatisfied Customers</td>
<td>13.6%</td>
<td>14.3%</td>
<td>16.1%</td>
<td>17.3%</td>
<td>18.9%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Relative Product Quality</td>
<td>+10%</td>
<td>+8%</td>
<td>+5%</td>
<td>+3%</td>
<td>+1%</td>
<td>0%</td>
</tr>
<tr>
<td>Relative Service Quality</td>
<td>+0%</td>
<td>+0%</td>
<td>-20%</td>
<td>-3%</td>
<td>-5%</td>
<td>-8%</td>
</tr>
<tr>
<td>Relative New Product Sales</td>
<td>+8%</td>
<td>+8%</td>
<td>+7%</td>
<td>+5%</td>
<td>+1%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

© Professor Malcolm McDonald, Cranfield School of Management

**Table 3** Why Market Growth Rates are Important

Table 4 (Davidson, 1998) also shows that one apparently high performing company is really poor when the kind of non-reportable items shown in the table are taken into account.
<table>
<thead>
<tr>
<th>%</th>
<th>Virtuous plc (%)</th>
<th>Dissembler plc (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>43</td>
<td>61</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>57</td>
<td>39</td>
</tr>
<tr>
<td>Advertising</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Capital Investment</td>
<td>23</td>
<td>8</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>14</td>
<td>14</td>
</tr>
</tbody>
</table>

**Key Trends**

- Virtuous plc (%)
  - Past 5 year revenue growth 10% pa
  - Heavy advertising investment in new/improved products
  - Premium priced products, new plant, so low cost of goods sold

- Dissembler plc (%)
  - Flat revenue, declining volume
  - No recent product innovation, little advertising
  - Discounted pricing, so high cost of goods sold


3**Note:** This table is similar to a P&L with one important exception - depreciation, a standard item in any P&L has been replaced by capital expenditure, which does not appear in P&Ls. In the long-term, Capex levels determine depreciation costs. Capex as a percentage of sales in an investment ratio is often ignored by marketers, and it has been included in this table to emphasize its importance.

**Table 4 Quality of Profits**

Table 5 shows the retention rate of a real company by segment, whilst Table 6 (from a Cranfield database of leading European Companies using an anonymous Audience Response System) shows that, almost ten years since the famous Reicheld and Sasser (1990) article, very few companies measure customer retention by segment.

<table>
<thead>
<tr>
<th>Percentage of market represented by segment</th>
<th>Total</th>
<th>Segment 1</th>
<th>Segment 2</th>
<th>Segment 3</th>
<th>Segment 4</th>
<th>Segment 5</th>
<th>Segment 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100.0</td>
<td>14.8</td>
<td>9.5</td>
<td>27.1</td>
<td>18.8</td>
<td>18.8</td>
<td>11.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of all profits in total market produced by segment</th>
<th>Total</th>
<th>Segment 1</th>
<th>Segment 2</th>
<th>Segment 3</th>
<th>Segment 4</th>
<th>Segment 5</th>
<th>Segment 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100.0</td>
<td>7.1</td>
<td>4.9</td>
<td>14.7</td>
<td>21.8</td>
<td>28.5</td>
<td>23.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratio of profit produced by segment to weight of segment in total population</th>
<th>Total</th>
<th>Segment 1</th>
<th>Segment 2</th>
<th>Segment 3</th>
<th>Segment 4</th>
<th>Segment 5</th>
<th>Segment 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.00</td>
<td>0.48</td>
<td>0.52</td>
<td>0.54</td>
<td>1.16</td>
<td>1.52</td>
<td>2.09</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Defection rate</th>
<th>Total</th>
<th>Segment 1</th>
<th>Segment 2</th>
<th>Segment 3</th>
<th>Segment 4</th>
<th>Segment 5</th>
<th>Segment 6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>23%</td>
<td>20%</td>
<td>17%</td>
<td>15%</td>
<td>15%</td>
<td>28%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Cranfield Database: Payne, A. 1999

**Table 5 Measurement of Segment Profitability**
Table 6  We Measure Customer Retention by Market Segment

Tables 7 and 8 (also from a Cranfield database of over 500 leading European companies over a five year period) show clearly that very few organisations measure market or customer profitability, in spite of the fact that it always has been the cost of dealing with customers after the ‘product’ leaves the ‘factory’ that determines profitability.

Source: Cranfield Key Account Management Research Club, 2002

Table 7
How well do you know the real profitability of the top ten accounts?

Source: Cranfield Key Account Management Research Club, 2002

**Table 8**

Table 9 indicates what marketing information the financial community needs to make sensible investment decisions. It also shows very clearly that very little of this is reported in annual accounts.

**External Investor Marketing Disclosure**

**INFORMATION NEEDED**
- Market value (86%)
- Key competitors (86%)
- Marketing investment (71%)
- New product stats (68%)
- Brand awareness (62%)
- Customer satisfaction (60%)
- Distribution coverage (68%)
- Price elasticity (72%)
- Market share (91%)

**DISCLOSED**
- Market size/trend (8%)
- Marketing investment (10%)
- Innovation (10%)
- Efficiency (6%)
- Brand preference (16%)
- Customer loyalty (18%)
- Relative perf (16%)
- Trade distribution (8%)

Source: Brand Finance 1999
Source: Professor Hugh Davidson, (Cranfield visiting professor)

**Table 9 External Investor Marketing Disclosure**
Johnson and Bailey (1992) developed the Cultural Web as a method for measuring corporate culture. Table 10 is from yet another Cranfield database which, using the cultural web methodology, captures the attitudes of senior non-marketing managers to marketing practitioners. A cursory glance at the central paradigm, which reveals marketing practitioners as ‘unaccountable, untouchable, expensive and slippery’, leaves us in little doubt about the current status of marketing practice.

**The Cultural Web (What senior non-marketers believe about marketers)**

Stories and Myths
- Mud doesn’t stick
- Golden child
- Quick promotion
- No loyalty
- Churn
- Costs
- Experience

Paradigm
- Unaccountable
- Untouchable
- Expensive
- Slippery

Control Systems
- 10.00-16.00 hrs
- Lunch
- Travel
- Soft measurement
- For self

Rituals
- Planning
- Delegating
- Deadlines
- Off site meetings

Symbols
- Cars
- Offices
- Terminology
- Statistics
- Lunch

Power Structures
- Research withheld
- Take credit for others work
- Jargon

Org Structures
- Lack of structure
- Internal focus
- Always in meetings

Source: ‘Defining a Marketing Paradigm’ (Baker, S. 2000)

**Table 10 The Cultural Web**

Turning briefly to the body of marketing knowledge that has been taught for over fifty years, Greenley’s summary of research into the extent to which it is used (see Table 11) reveals a depressing picture, whilst Table 12 shows the author’s observations on the weaknesses of over two hundred marketing plans formally reviewed over a ten year period.
<table>
<thead>
<tr>
<th>Study</th>
<th>Country</th>
<th>Focus</th>
<th>Outline of results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buzzell and Wiersema (1981)</td>
<td>USA</td>
<td>SP</td>
<td>Limited use of formal planning methods</td>
</tr>
<tr>
<td>McColl-Kennedy et al. (1989)</td>
<td>Australia</td>
<td>MP</td>
<td>Awareness and usage of methods - low</td>
</tr>
<tr>
<td>Greenley (1985)</td>
<td>UK</td>
<td>MP</td>
<td>Only 24% use portfolio analysis; half use PLC analysis</td>
</tr>
<tr>
<td>Haspeslagh (1982)</td>
<td>USA</td>
<td>SP</td>
<td>Only 45% use portfolio analysis regularly</td>
</tr>
<tr>
<td>Hopkins (1981)</td>
<td>USA</td>
<td>MP</td>
<td>A quarter use portfolio analysis, only 13% use PLC analysis</td>
</tr>
<tr>
<td>Hooley et al. (1984)</td>
<td>UK</td>
<td>MP</td>
<td>Half use SWOT analysis, one-third use PLC, only a few use portfolio, PIMS, perceptual mapping and conjoint analysis</td>
</tr>
<tr>
<td>Reid and Hinkley (1989)</td>
<td>UK/Hong Kong</td>
<td>SP</td>
<td>Little awareness of portfolio and PLC analysis, and PIMS</td>
</tr>
<tr>
<td>Ross and Silverplatt (1987)</td>
<td>USA</td>
<td>SP</td>
<td>Half use portfolio analysis regularly, and a quarter use PIMS regularly</td>
</tr>
<tr>
<td>Verhage and Waarts (1988)</td>
<td>Netherlands</td>
<td>MP</td>
<td>15% use portfolio analysis, 27% use PLC with 62% using SWOT</td>
</tr>
<tr>
<td>Wittink and Cattin (1989)</td>
<td>USA</td>
<td>MP</td>
<td>Limited use of conjoint analysis by MR consultants</td>
</tr>
<tr>
<td>Wood and LaForge (1986)</td>
<td>USA</td>
<td>SP</td>
<td>Portfolio analysis used by 67% of sample</td>
</tr>
</tbody>
</table>

Source: Greenley (1994)

Table 11 Outline of Previous Research

- Market overviews contain substantially more information than is necessary, with no hint of the implications for marketing activity.
- Key segments are rarely identified. ‘Segments’ are often sectors or products, rather than groups of customers with similar needs.
- The competitive situation is not well analysed and plans appear to assume no activity or reaction by competitors.
- SWOT analyses rarely pin down convincingly the value that is required by segments. They are frequently too general to lead to any actionable prepositions.
- Our own distinctive competences are rarely isolated and built on.
- SWOTs are rarely summarised clearly and logically in a portfolio which provides a categorisation of the relative potential of each and our relative strengths in each.
- Marketing objectives are frequently confused with marketing strategies and do not follow logically from the portfolio summary.
- The resource implications of effecting the marketing plans are not always clear.

Based on formal critiques of strategic marketing plans from the SBUs of multinational, industrial and service businesses, McDonald, M., Cranfield Database, May 1996

Table 12 Key Areas for Improvements in Strategic Marketing Plans

Finally, and also from a Cranfield database, Table 13 reveals a depressing honesty amongst senior marketing practitioners about their lack of knowledge about the financial impact of marketing expenditure.
Table 13  We know the financial impact of all the elements of our marketing strategy and we measure and report them to the board.

In short, notwithstanding that the above represents a somewhat random and biased selection of examples of the state of practitioner marketing, most readers will in their heart of hearts recognise that they are not far from the truth.

Consultants

Turning secondly to consultants, which includes the likes of advertising agencies, they appear to have fared little better. The author has painstakingly listed over three hundred consultant fads developed during the past thirty years, a small selection of which are listed in Table 14.

- In Search of Excellence
- Marketing Warfare
- One Minute Manager
- MBWA
- Skunk Works
- 7 Ss
- Etc.

Table 14  Fads (300)

During the past ten years, many companies have sought a remedy for their declining fortunes by retreating into faddism, hungrily adopting one fad after another as they were peddled by eager consultants. In most cases these initiatives have failed, as organisations
have treated them as a quick-fix bolt-on without addressing their underlying problems. The International Standards Organisation’s ISO 9000 quality initiative, for example, very laudable when used sensibly, has, in the main, only been a guarantee that organisations can produce rubbish perfectly and consistently. We use the word ‘rubbish’ judiciously, because there is little point in producing perfectly something that people do not buy.

Another fad has been business process re-engineering (BPR). This has been an outstanding success in those companies which have used it to redesign their processes to create value for customers. But in those organisations which have not grasped the nettle of customer satisfaction, it has achieved merely cosmetic productivity improvements (Edwards, 1997). Yet another has been balanced scorecards. This too, for CEOs who understand the need to balance the requirements of all the stakeholders in a company delivering customer value, has been very successful. It is a strategy used with great success by BAA, for example, for managing its complex web of stakeholder relationships. But for those CEOs who do not understand the importance of being market driven, it has proved to be just another fad.

Of course all of these initiatives are fabulous and do work, but only when they are seen in the context of providing superior customer value as a means of providing superior shareholder value. Alas, even in those organisations committed to ‘relationship’ and ‘one-to-one’ marketing, too often customers remain the Cinderellas. As Harvard Business School’s Susan Fournier has pointed out (1998), rapid development of relationship techniques in the USA has been accompanied by growing customer dissatisfaction. The much vaulted relationship that companies were so eager to forge with their customers involved not so much delighting them as abusing them, suggested Fournier.

The problem is that companies have become so internally focused they have got carried away with supply-side issues and taken their eye off the customer ball. Until organisations make a serious effort to lift their heads above the parapet and understand their markets and their customers better, all the great initiatives referred to above will amount to expensive, time-consuming mistakes. Most boards are spending too much of their valuable time on internal operational efficiency (doing things right) at the expense of external operational effectiveness (doing the right things).

In conclusion, whilst consultants have not surprisingly fared somewhat better than the marketing practitioner community, they could hardly be adjudged to have had a big impact on practice.

**Academics**

Finally, of course, there is the academic community. Table 15 lists a small selection of quotations from well-known academics. Most damming of all is the last one. At the Academy of Marketing Debate in the summer of 2000, the author carefully prepared his debate-winning proposal that the academic marketing community was out of touch with
marketing practice. One of the facts gathered concerned the number of papers in marketing academic communities which addressed the top fourteen issues of concern to practitioners (Wensley 2000) in the two top, five-star rated academic journals. Four percent was the derisory number! One wonders whether there is a grain of truth in the assertion that academics are being increasingly forced by the RAE to write for a narrow, esoteric audience in media which are of little relevance to the real world.

- “Much research is directed at technical refinement, which produces low risk, quick win publications that are largely irrelevant or incomprehensible to practitioners. The voice of academics is becoming weaker” (Hugh Wilmott of MBS)
- Robin Wensley said that marketing academics have had little impact.
  “A much wider understanding of the nature of the competitive market place is required, given that it is such a central phenomenon”
- Of ten issues, (confirmed by 3- academic papers and the MSI), only 4% were addressed in the top, 5 star rated academic journals

Source: McDonald, M. Academy of Marketing Debate, University of Derby, 2000

**Table 15 Academics**

Whilst such journals clearly have relevance to academics and whilst their role is fully appreciated, the influence and prestige afforded to them by the RAE is out of all proportion to the problems facing the global marketing community and only succeeds in diverting the abundant genius in our academic community into a cul-de-sac. Furthermore, the style of such pieces is also becoming increasingly dense and impenetrable. The author’s spoof piece in Table 16 is a somewhat lighthearted parody of what senior academics face when reviewing certain papers for double blind refereed journals.
In undertaking an in-depth perusal of the evolutionary interaction of this acronymic organisational communication, the dual orientation for the analysis paradoxically required an unashamed repositioning of the eclectic conceptual framework amongst the multi-disciplinary body of illuminative speculation in predominantly scholarly bureaucratisation.

Yet, coincidentally, its empirical complexity had to remain relevant to the esoteric realities of postmodern professorial integrative antecedent development trends at appropriately conceptualised and operationally-implemented meta levels. Consequently, it was necessary to review the independently formulated psychometric traditions and to employ confidently the articulated-present phenomenological methodologies currently available for polysyllabic paradigm exploration. Unfortunately, the ensuing generalised multifaceted model for evaluation (in its specific systems dimension, naturally) had unexpectedly and unexplainably exploded – though not exhaustively. The major administrative atomistic components, suitably enumerated, are now, unfortunately, somewhat hindering the Assessor’s understanding process. However, tabulation analysis of the topography implicitly indicates that comprehensive evaluation of the interdenominational micro data has finally exhausted the course Assessor and any further critical, unbiased, postmodernistical review, will just have to wait until he has had a few strong gin and tonics!

I suspect you may not know what this means, but I don’t really care, even if it takes you half an hour to decode it!

I call this style ‘anorexia doctoratitis’ – an excessive desire to be more and more impressive verbally, leading to mental emaciation and, eventually, death.

Source: McDonald, M. Open University Business School, Critique of a new MBA Module on Postmodern Marketing, 2001

Table 16

The net impact of this sad neglect by the academic and practitioner communities is that marketing as a function has been increasingly relegated away from the core strategy-making engine of organisations to become a sales support department, in charge of T-shirts and promotion (as evidenced by the cultural web shown in Table 10).

From Tactics to Strategy

So, what can be done to begin to recover from the sorry state the marketing community finds itself in?

Firstly, we have to work hard to recapture the high ground – the strategy domain. This, however, means reaching some kind of consensus about what marketing is. Enormous damage is done to our cause when the President of The Chartered Institute of Marketing declares: “Marketing isn’t a function. It is an attitude of mind” (Thompson, D., 2001). There will be many amongst us who wonder how an attitude of mind can be measured, researched, developed, protected, examined, etc., all of these being the avowed purpose of the professional body. Add to this the hundreds of different definitions of marketing to be found in books and papers on marketing and the confusion is complete. A selection of thirty such definitions are to be found in McDonald 2002, most of which involve doing things to customers.
Let us be unequivocal about marketing. Just like finance, or HR, or IT, it is a function, but described in terms of what it actually entails, as shown in Table 17. This is shown diagrammatically in Figure 1.

Marketing is a process for:
- defining markets
- quantifying the needs of the customer groups (segments) within these markets
- putting together the value propositions to meet these needs, communicating these value propositions to all those people in the organisation responsible for delivering them and getting their buy-in to their role
- playing an appropriate part in delivering these value propositions (usually only communications)
- monitoring the value actually delivered.

For this process to be effective, organisations need to be consumer/customer-driven.

Source: McDonald, M. Marketing Plans: how to prepare them; how to use them, Butterworth-Heinemann, 2002

Table 17 Definition of Marketing

Figure 1 shows a consolidated summary of the marketing process.

Figure 1 Summary of marketing map
It will be seen that boxes 1 and 2 are clearly about strategy determination, whilst boxes 3 and 4 are about tactical implementation and measurement. It is these latter two that have come to represent marketing as a function, which is still principally seen as sales support and promotion. The author recently drove through a new housing estate, where a neon sign above an up-market prefab blasted out the following words: “The Marketing Suite”, loosely translated as: “This is where you come to get sold to”. And when government bodies, charities and the like say “we need marketing”, what they mostly mean is “we need some promotion”.

The options, then, are clear. Firstly, let us all stop this pretence at strategy and concentrate on where the marketing community actually is, which is sales support. Or let us take marketing centre stage, with a major impact on corporate strategy development.

There is more than enough evidence (see, for example, Jenkins 1997) that one of the fundamental determinants of corporate success – ie. correct market definition, market segmentation and positioning is poorly understood in the corporate world at large. So, let us begin by looking in a little more detail at each of the boxes in Figure 1.

This process is clearly cyclical, in that monitoring the value delivered will update the organisation's understanding of the value that is required by its customers. The cycle may be predominantly an annual one, with a marketing plan documenting the output from the “understand value” and “develop value proposition” processes, but equally changes throughout the year may involve fast iterations around the cycle to respond to particular opportunities or problems.

We have used the term ‘Determine value proposition’, to make plain that we are here referring to the decision-making process of deciding what the offering to the customer is to be – what value the customer will receive, and what value (typically the purchase price and on-going revenues) the organisation will receive in return. The process of delivering this value, such as by making and delivering a physical product or by delivering a service, is covered by ‘Deliver value proposition’.

Thus, it can be seen that the first two boxes are concerned with strategic planning processes (in other words, developing market strategies), whilst the third and fourth boxes are concerned with the actual delivery in the market of what was planned and then measuring the effect. Throughout, we use the word ‘proposition’ to indicate the nature of the offer from the organisation to the market.

It is well known that not all of the value proposition delivering processes will be under the control of the marketing department, whose role varies considerably between organisations. The marketing department should be responsible for and central to the first two processes, ‘Understand value’ and ‘Determine value proposition’, although even these need to involve numerous functions, albeit co-ordinated by specialist marketing personnel. The ‘Deliver value’ process is the role of the whole company, including for example product development, manufacturing, purchasing, sales promotion, direct mail, distribution, sales and customer service.
The various choices made during this marketing process are constrained and informed not just by the outside world, but also by the organisation’s asset base. Whereas an efficient new factory with much spare capacity might underpin a growth strategy in a particular market, a factory running at full capacity would cause more reflection on whether price should be used to control demand, unless the potential demand warranted further capital investment. As well as physical assets, choices may be influenced by financial, human resources, brand and information technology assets, to name just a few. (For a detailed explanation of each of the four boxes, see McDonald, M., 2002).

Marketing’s Role in Value Creation

There is, however, one final, but crucial piece of the jigsaw to put in place. Table 18 states clearly that marketing can and should have a central role to play in creating sustainable competitive advantage.

The overall purpose of strategic marketing, and its principal focus is the identification and creation of sustainable competitive advantage

© Professor Malcolm McDonald, Cranfield School of Management

Table 18 The purpose of strategic marketing planning

Figure 2 shows a typical array from any stock exchange of the relationship between risk and return, the diagonal line being the Beta.

Figure 2 Financial Risk and Return
Any firm on the line will normally be making industry average returns for its shareholders – in other words, making returns equal to the weighted average cost of capital (WACC). Firms making consistent returns greater then the WACC is creating shareholder wealth, known generally as Shareholder Value Added, Economic Value Added, positive net present value, super profits, sustainable competitive advantage and so on. Figure 3 shows diagrammatically how sustainable competitive advantage can be achieved.

© Professor Malcolm McDonald, Cranfield School of Management

**Figure 3  The route to sustainable competitive advantage (SCA)**

As Doyle has pointed out (2000), modern finance is based on four principles:

- cash flow (the basis of value)
- the true value of money
- the opportunity cost of capital (other investments of a similar risk)
- the concept of net present value (the sum of the net cash flows discounted by the opportunity cost of capital)

Also, he pointed out that, whilst accountants do not measure intangible assets, the discrepancy between market and book values shows that investors do. Hence, expenditures to develop marketing assets make sense of the sum of the discounted cash flow they generate is positive.

A little thought will indicate that every single corporate activity, whether it be R&D, IT, purchasing or logistics, is ultimately reflected in the relative value put on a firm’s offer by its customers. The marketing function, as defined in Figure 1, (but particularly the strategic roles outlined in boxes 1 and 2) is central to this, as every one of the four, (or
five, six or seven Ps) can only be improved by the whole organisation focussing its attention on its customers.

**Conclusion**

In conclusion, we must find a way of escaping from the increasing proclivity of the academic community to creep further and further into the more esoteric groves of academe, talking about increasingly narrow issues in an increasingly impenetrable language to an increasingly narrow audience. We must address issues which are of concern to the real world and which are central to business success. We can, in doing this, be academic and rigorous, but we must then learn to translate our findings into actionable propositions.

We have a wellspring of young genius up and coming in our university business schools. Our plea to all of us is that once they have been trained to be rigorous researchers, preferably via a PhD, they should be encouraged to be set free from all that is bad about the current modus operandi and encouraged to address all this genius to the heartland of marketing.

**References**


